

**Technology Customer Council Meeting  
Minutes of December 9, 2003**

**F i n a l**

Present: Steve Mosena, Greg Wright (by phone), Lee Tack, Larry Murphy, Steve Morris, Rich Jacobs, Leon Schwartz, Steve Gast (ex-officio), Gary Nichols, Jim Anderson (for Cindy Eisenhower), Carl Martin

Absent: Marvin Van Haaften

Guests: John Gillispie, Judy Peters, Russ Rozinek, Denise Sturm, Nadir Mehta, Sharon Sperry, Lorrie Tritch, Randy Clemenson, Mollie Anderson, Mark Uhrin, Vicki O'Neal, Erwin Erickson, Marianne Mickelson

Steve Mosena called the meeting to order. It was noted that a quorum of members was present.

- 1) Review and Approve Minutes – Rich Jacobs moved, seconded by Larry Murphy, approval of the November 12, 2003 meeting minutes. An oral vote was taken, approving the minutes as written.
- 2) Review Methodology for Rates – Denise Sturm. Denise first referenced the “Talking Paper on ITE Utility Services” (handout), which provides information on the FY05 budget, an explanation of how the Information Technology Enterprise (ITE) supports its allocations, and percentages of time for mainframe use, etc. There are a total of 18 IFAS budget orgs. Each org is categorized as a direct expense, indirect expense, or general and administrative expense. Denise explained that direct expenses are those costs that relate directly to a DAS/ITE service (personnel, hardware, software, maintenance contracts, etc.). Indirect expenses are functional costs not attributable to a specific item or service. General and administrative expenses (which are an indirect expense) are general in nature to the entire department and include such items as salaries of top officers, rent, supplies, etc.

Council members posed several questions in order to gain clarity on specific items. A question arose about the I3 budget. Sharon Sperry responded, explaining that many of the I3 staff were former ITE FTE's, therefore a portion of the expense is paid through I3 and a portion through ITE. The methodology for allocating indirect and administrative expense is to allocate a percentage of the overall cost to a particular activity or service. For rate setting purposes, any expense funded through some other mechanism has not been included in the FY05 budget. John Gillispie reported that the direct expense associated with I3 represents 50% of staff time to keep IFAS and HRIS running until those systems cease in July 2005. Previously, support of IFAS and HRIS was figured at 100%. As the State migrates away from IFAS and HRIS, DAS will be looking at I3 as a utility service, beginning in FY06. Denise also reported that no vacancy factor had been used in salary projection figures.

A question arose about the Governor's recent announcement, i.e., recommending that the legislature not fund salary increases. Mollie Anderson responded that at this point, we plan to include the salary adjustment factor in our rates until such time as we have a decision by the legislature.

- 3) Review Cost Data for IFAS/HRIS – Denise Sturm. In the process of identifying direct and indirect costs, we have determined that HRIS costs \$853,000 annually and IFAS costs \$435,000 annually. Once costs were identified, the next step was to determine the appropriate criteria for a divisor factor. The method believed to be the fairest is a calculation based on FTE's.

It was also determined that 4.9% of the mainframe cycles are consumed by HRIS and 3.4% by IFAS (clarification: this is only with regard to those costs which are associated with nonbillable items).

Other rates that still apply -- in addition to the IFAS charge, each agency will still have their associated network and user ID charges. Some charges are actually for storage, while others are for access to systems. Council members asked that ITE clarify the charges that would continue to be billed and also ensure that no costs were being double-billed.

Setting rates is a multi-step process that will improve over time, as ITE is able to provide the council with more specific information. Rates should be based strictly on costs associated with an activity, not on any funding that comes along to offset the costs.

Philosophical question: How does the council ensure that customers are getting efficient delivery of IT services? This item was tabled until a future meeting.

Of the people who support IFAS and HRIS, 16% of the time is associated with IFAS, while 83% is associated with HRIS.

- 4) Rate Discussion – ITE used a divisor based upon full time and part-time FTE's (people who receive paychecks). It was noted that the figures presented did not include part-time FTE's, so the information needs to be revised and redistributed. The proposal utilizes a fixed number of FTE's per agency, based on historical data, even though the rates would be projected forward. An FTE divisor is not based on whether employees have or access a computer, but is rather defined by the fact that the system is used to generate a paycheck to each person.

Are non-Executive Branch users included in the calculation? Larry Murphy mentioned that by statute, the Judicial Branch must use IFAS and HRIS, however the Legislature would be an unknown factor. Steve Mosena asked if someone could verify their participation. The ICN and the Auditor's Office have indicated that they plan to participate.

John mentioned that since this was a first year effort, ITE was looking for the most simplistic way to determine costs. After examining several methodologies, the most reasonable appeared to be a calculation based on FTE's. ITE is open to other suggestions. The Council must first agree on the cost of service. Then the members can discuss an appropriate divisor. Those two items will determine the rate.

It is also important that the Council discuss how to apply the rate. Is it the Council's role to set method of allocation? The bylaws say that the Council will approve rates and prices.

#### 5) Next Steps/Other Discussion –

The Council will be meeting again next week, same day and time.

Expectations from the Council:

Information needs to be distributed to sister agencies. Greg Wright agreed to disseminate on behalf of the large agencies. Leon Schwartz, Rich Jacobs, and Lee Tack agreed to disseminate on behalf of the medium agencies. Gary Nichols will disseminate on behalf of the small agencies. Steve Mosena suggested that council members wait to send out an update until after the next meeting.

Expectations from ITE:

Denise has several follow up items for the next meeting. Every effort will be made to provide the information before the end of the week. ITE will also be forwarding cost information for some of the other utilities.

The Chair moved that the meeting adjourn. The meeting adjourned at 2:52 p.m.